MEMORANDUM

Date: May 28, 04

To: The Files

From: Edward Soyir-Yariga, Conflict Management Specialist, and USAID/WARP

Subject: Report - 'Oil & Gas in Africa' Conference ((London)

Purpose: The primary purpose of the trip was to attend the "Oil and Gas in Africa" Conference, which was held at the Royal Institute of International Affairs, Chatham House, 10 St. James's Square, London, SW1Y 4LE. The trip also served as an opportunity to network with NGOs in attendance that were committed to programs on
Conflict Prevention, Management, and Resolution (CPMR) and Anti-Corruption advocacy in the oil-producing countries in the West Africa sub-region. It was a further opportunity to establish linkage with Transparency International (TI), which has a long and positive experience in advocacy work in Transparency in the Extractive Industry (TIEI) in Africa. It was also a chance to establish preliminary contact with the representatives of Catholic Relief Services (USA), who are actively working on programs on anti-corruption in Chad and especially, the gas pipe-line linking Chad with Cameroon. CRS with its development partner WANEP is already collaborating with SpO7 on the training program of ECOWAS Department of Political Affairs, Defense, and Security.

The Conference:

The conference was sponsored by the BG Group, UK Department for International Development (DFID), with media support by Africa Oil and Gas (www.ogilviepub.com), United Kingdom West Africa Action Group (UKWAG), PLATTS and BBC's AFRICA MONITOR. The Royal Institute of International Affairs, Chatham House, London was the host organizer. The participants were drawn from the Oil and Gas companies with concessions in Africa and either producing or exploring, or both; Government Departments of Oil and Gas producing countries; International NGO advocates of trans- parency in the extractive industries for the development of business and the citizens of oil producing countries; Local NGO advocates of transparency and equitable sharing of oil revenue especially for the development of the stakeholder citizens; International Development Agencies with focus on peace and anti-corruption in Africa and private sector investors in the non-oil sectors of business. There was one political advocate of the Republic of ABAZONIA, the English-speaking portion of the Republic of Cameroon. The U.S. Defense Department, the United Nations and the World Bank Group had representatives playing key roles in the conference process.

The conference was successful in three important dimensions with respect to generating information on:

1) Oil exploration, production, revenue management and transparency:

The presenters were top level representatives of their Oil and Gas organizations and as such provided quality information on their activities in the exploration and production side oil, especially, in relation to total costs of production and the volatility of market prices of oil and what this meant for their profits. Until recently, however, the publication of oil proceeds in the public domain was not considered

a necessary practice to ensure transparency, elimination of corruption and the prevention of conflict in host communities and civil wars in the host countries. Transparency was thought to be the responsibility of host governments whom oil companies believed owed a duty to their citizens to declare their share of the oil revenues and show how such revenues were being managed**. The business of oil companies was business.** This limiting view about corporate responsibility to the public and the international community led to mass corruption in the host governing circle and pay-offs to all manner of officials, and political, traditional, and community leaders. This in turn created a class of excluded and marginalized individuals and community members who have promoted conflict and civil wars to fight corruption in the extractive industries. The IMF presenter argued that better governance of natural resource wealth reduces the likelihood of civil war and the benefits of transparency include fostering accountable decision-making, widening ownership of policies, imposing financial discipline, allaying suspicion over distribution issues, improving investment climate and motivating donors.

2) Revenue Sharing, Transparency and Social Responsibility by oil companies and host governments:

Revenue sharing, transparency, and the social responsibility of the oil companies and the host governments took center stage in the next group of significant presentations. At this point the ethical issues and corporate responsibility of oil production; that is, the impact on the environment, the threat to natural and marine life, the need to conform to international laws on the environment and the **IMF Code of Good Practices on Fiscal Transparency** and to live by the guidelines for implementation contained in **the Manual on Fiscal Transparency** were discussed. It was agreed that the levels of conformity to transparency practices and environmental responsibility were inadequate on the part of both governments of oil producing countries and the Oil Companies. These failures were collectively responsible for the social unrest in the oil producing

communities of the Delta region of Nigeria, Cabinda in Angola and the Darfour region of the Chad Republic. A film on the negative impact of oil spillage on the farms, sources of drinking water of communities and other evidence of unfulfilled social development promises in the Delta of Nigeria by the oil companies was shown to convey the argument. Transparency principles and social responsibility activities must be executed by both the oil companies and the host governments in a participatory manner wit the people, local NGOs and Community- based Organizations to ensure genuine transfer of ownership and assurance of sharing in the distribution of benefits from the oil revenues by the host communities as a whole. This done, corruption and conflict would be eliminated and the needs for investment and peace would be planted.

3) The Emerging Oil Producing States in the Africa Region:

The future of oil production and its impact on world stability was considered. There were many perspectives. However, the significance of the presentations to USAID at this stage was looked at from the perspective of USAID /WARP's objectives and the SpO7 in particular. It was revealed by PremierOil and RocOil that the next generation of oil exporters will be emerging from the West African countries of Senegal, Guinea Bissau, and Mauritania. These countries, from seismic readings of the said companies, have considerable oil reserves that would make them significant oil producers and exporters when all the conditions are right for full production. For example Guinea Bissau is estimated to have as much as 250 billion barrels of oil potential reserve off-shore. It also has a 40% share of oil revenue, (from a settlement to avoid conflict), from Senegal who will be holding 60% of the share although the oil territory was ceded to Senegal by a court ruling. Guinea Bissau also has considerable hydro-carbon gas reserves, making it, from all accounts, a potentially rich nation. The same positive and hopeful analysis of potential future wealth was made for Senegal and Mauritania.

The critical questions that arose were whether these new and emerging wealthy states will live up to expectations and be proactive towards sound management of oil revenues, be responsive to poverty reduction strategies for their people who are earning less than 1USD a day, embrace the IMF Code of Good Practices on Fiscal Transparency in the Extractive Industries to encourage further Trade and Investments opportunities in the non-oil sectors, promote sound environmental and marine life best practices, discourage corruption at all levels of political hierarchy and encourage the growth of Civil Society and the participation of its citizens, especially women, in decision making and democratic governance, discourage inter-state disputes over territories and community conflicts arising from inequitable distribution of deserved oil revenues.

The second thought was whether the new oil states would go the way of their predecessors as failed states in the oil/wealth paradox. Will the emerging oil states learn from the errors of Nigeria, Cameroon, Chad, Angola, Equatorial Guinea, DR Congo which are involved in debilitating conflicts and crippling corruption to the detriment of the development citizens who, the participants argued, were the real owners of the oil wealth?

The third thought which should be central to SpO7's concerns and indeed that of USAID/WARP in a cross-cutting manner is:

- what kind of strategic thinking or programs need to be designed to discourage
corruption in the political culture of the emerging oil states in the not too distant future?

- What type of civil society groups would need to be nurtured to keep the governments alive to their responsibility of managing oil revenues within the limits of accountability?

- How will the governments be persuaded that transparency procedures in the extractive industry through the publication of oil revenues and how they are managed, if published and brought into the public domain, will encourage business and minimize suspicion which usually leads to conflict?

- Oil revenues should match with development as the people see it. How will the Oil companies be made to carry out their social responsibilities more responsibly and in a participatory manner, especially, in the sectors of the environment and food security, health, water and sanitation, education and enterprise development for women in the host communities?

- These were centers of weaknesses of the performance of the first generation Oil States. These second generation Oil States are in our program areas of Anti-Corruption, Conflict Management and Trafficking in Persons- all aimed at ensuring peace and stability in the sub-region

VISITS

In continuation with the networking for possible linkages for direct information on field best practices, I was able to use May 26 to meet with some key persons who were otherwise engaged during the conference breaks. These included the following meetings and benefits: Ian Gary, CRS (USA) for information and future collaborations on strategic issues on Energy in West Africa and information on their advocacy work on the Chad-Cameroon Gas-Pipeline and oil revenue management in Chad. There was a meeting also with Mme. Therese Mekombe, from Chad and Vice-President, College de Controle et de Surveillance des

Ressources Petrolieres on monitoring problems that could be encountered and the types support needed to be mobilized for success. Gilbert Maoundonodji, was representing Chad's civil society organizations, Groupe de Recherches Alternative et de Monitoring du Projet Petrole Tchad-Cameroun-GRAMP/TC and in conjunction with a dialogue with Rev. Fr. Patrick Gbenga Eyinla, Director Church And Society, Catholic Secretariat Of Nigeria I had a broad-based view of civil society activities in the respective countries on oil issues from the people's perspective.

I was also a source of information on USAID/WARP's activities in CPMR in the sub-region and especially support for implementing partners in the MANO River, the Casamance, the Gambia and Guinea Bissau and ECOWAS strengthening to perform its role of early warning and conflict prevention in the sub-region. So, Martin Schulman Team Leader SpO7 and Advisor, Anti-corruption, Conflict Management and TIP; Patricia Rainey, WARP/Program Integration & Coordination Advisor; Moussokoro Kane, ECOWAS and other WARP Team Leaders should not be surprised should requests come for information sharing or Activity websites from Angola, Equatorial Guinea and South Africa. The oil companies never took health, social developments and integration, democracy and governance, peace education and gender mainstreaming seriously and were, as it became evident, accepting responsibility to commit more resources and programs to achieving these components of social development to minimize conflict in the interest of their businesses. The search for best practices was very evident and I believe USAID/WARP's successes could become handy when our website is known and networking achieved.